

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

SEPTEMBER 16, 1999

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| IN RE: |) | |
| |) | |
| BELLSOUTH TELECOMMUNICATIONS, INC. |) | DOCKET NO. |
| TARIFF FILING TO OFFER CONTRACT |) | 98-00430 |
| SERVICE ARRANGEMENT (AL 98-2463-00) |) | |
| |) | |

**ORDER GRANTING APPROVAL OF BELLSOUTH
CONTRACT SERVICE ARRANGEMENT (AL 98-2463-00)**

This matter came before the Tennessee Regulatory Authority ("Authority") on the tariff filing of BellSouth Telecommunications, Inc. ("BellSouth") for approval to offer Contract Service Arrangement No. AL 98-2463-00 ("CSA"). BellSouth filed Tariff No. 98-00430 on June 24, 1998, with a proposed effective date of July 24, 1998. The Directors of the Authority considered this matter at a regularly scheduled Authority Conference held on July 21, 1998 and unanimously deferred the tariff to allow time for BellSouth to revise and resubmit the contract.

The Directors of the Authority next considered this matter at a regularly scheduled Authority Conference held on August 18, 1998 and unanimously suspended the tariff for 90 days because BellSouth did not revise the language in question. At a regularly scheduled Authority Conference held on October 20, 1998, the Directors unanimously suspended the tariff for an additional 30 days to allow time for BellSouth to further

amend the contract.¹ At the request of BellSouth, the tariff was unanimously re-suspended at a regularly scheduled Authority Conference on November 17, 1998 for an additional 30 days. The Directors of the Authority next considered this matter at a regularly scheduled Authority Conference held on December 15, 1998, and unanimously suspended the tariff until February 1, 1999, to allow time for review of additional information submitted by BellSouth. At the January 19, 1999 Conference, the Authority extended the suspension from February 1, 1999 until February 3, 1999 to permit the Authority to analyze the information provided in advance of the February 2, 1999 Conference. The Directors of the Authority finally considered this matter at a regularly scheduled Authority Conference held on February 2, 1999. Based upon careful consideration of the tariff filing and the attachments thereto, the Authority finds and concludes the following:

1. The purpose of this CSA is to provide a Volume and Term Discount to the customer identified in the filing. Through this arrangement, BellSouth is offering a 10 percent discount on various eligible local exchange and private line services to a customer who has agreed to a minimum annual revenue commitment and a one year contract term which is renewable for two additional years by mutual consent of the parties.

¹ When 98-00430 and 98-00485 came before the Authority for consideration of re-suspension, Director Greer stated that, as an interim measure until the BellSouth CSA Docket was concluded, BellSouth should consider limiting the terms of CSAs to one year, renewable one year at a time, and with any renewal left entirely to the determination of the customer. Director Greer first made his proposal at the October 20, 1998 Conference, and BellSouth took the proposal under advisement. BellSouth informed the Authority at the November 17, 1998 Conference that it needed additional time to formulate a response to Director Greer's October 20, 1998 proposal. Thereupon, the Authority instructed BellSouth to file its response by December 7, 1998. On December 7, 1998, BellSouth responded with a counter-proposal in a letter from Mr. Guy Hicks. In the meantime, 98-00430 and 98-00485 were re-suspended through a series of actions until the December 15, 1998 Conference.

At the December 15, 1998 Conference, the Authority re-suspended 98-00430 and 98-00485 until February 1, 1999 in order to grant the Authority additional time to analyze BellSouth's December 7, 1998 counter-proposal.

2. The term of this CSA is twelve (12) months with option to renew for an additional twenty-four (24) months, and it is designed to provide various eligible local exchange and private line services at an overall rate comparable to competitive alternatives. Through this CSA, BellSouth is offering the customer a total discount of 10% off the general tariff rate during the term of the contract.

3. This CSA contains three termination clauses that are linked to the tariff and that specify the charges to be assessed to any customer who terminates the agreement prior to the end of the term.

4. Upon concluding that the parties to the CSA are knowledgeable in what they are doing in negotiating this contract² and that the customer understands the consequences of the termination liability provisions in the CSA, a majority³ of the Authority determines that in this docket the CSA should be granted.

² Director Greer stated: “[T]hese CSA’s, I want to reiterate, apply to businesses and not individual consumers. And these are not unknowledgeable participants. These are, by and large, major corporations that are very knowledgeable and know what they’re doing.

One of the things that competition is supposed to do is to bring down the cost of services rendered, either by the threat of competition or competition itself. And in this case I believe the threat of competition is bringing down the cost of the services. And the cost for charges – for services rendered in this case is going to be reduced approximately 10 percent to the consumer, and I believe this indicates that competition is at work and is making a better deal for the consumer.” Transcript of February 2, 1999 Authority Conference, p. 43-44.

Director Kyle responded: “As I have said prior, even though – on CSA’s, even though this one is different, I feel we need to move more toward the world of competition, and I believe this is accomplishing it. I think these people understand the contracts that they are entering into. And I too strongly agree that what comes before us in the future, this case will not have prejudice. I’m very proud that we are moving forward on the study docket. I look forward to getting involved in that case and maybe settle some of these issues that are surrounding us. But I very much like Director Greer’s remarks and how he put them forth to you today, and I will agree with him.” (*id.*, p. 46-47).

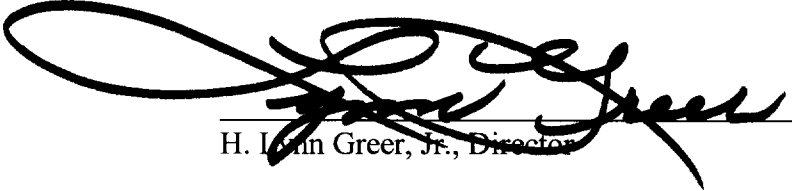
³ So as to be consistent with his votes on November 17, 1998, January 12, 1999 and January 19, 1999 relative to similar CSAs, Chairman Malone voted no.

IT IS THEREFORE ORDERED THAT:


BellSouth Telecommunications, Inc. Tariff No. 98-00430, which seeks approval of Contract Service Arrangement No. AL 98-2463-00, is hereby granted.

* * *

Melvin J. Malone, Chairman



H. Lynn Greer, Jr., Director



Sara Kyle, Director

ATTEST:



K. David Waddell, Executive Secretary

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* * * Chairman Malone voted against approval.